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SPECIAL REPORT

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BROADENING BOSTON'S TAX BASE New Local Tax Sources Should Be Made Available To Boston

New local tax sources should be made available to Boston to broaden its tax base. In FY 1982 and FY 1983 Proposition 2½ will cut Boston's property tax revenue by a total of \$144 million. To help compensate for this revenue loss, the City has increased its fees and charges to generate between \$20 and \$25 million in new revenues. However, Boston remains unique among comparably sized cities in having to rely solely on the property tax to finance its government expenses. In a survey of 20 comparable cities across the country, the Bureau found that the average revenue per capita from other local non-property-tax sources came to \$72.90. That same average for Boston would produce an additional \$41 million in new funds.

The latest Boston Financial Plan, now House Bill 6000 before the Legislature, authorizes two new local tax sources-- a 15% parking excise and a \$500 excise on condominium conversion. They are expected to produce between \$10 and \$12 million annually, about \$20.00 per resident. That is far less than the \$72.90 figure in the 20-city survey. The 15% parking excise would be a temporary tax to expire when all "Tregor" bonds or other disproportionate abatement debts are paid. The Boston Financial Plan establishes a 15% excise on all off-street commercial parking spaces in the city open for a fee. Facilities provided primarily to occupants of a residence would be exempted. This excise, estimated to produce between \$10 and \$11 million, would generate revenue from commuters and other visitors using the city's services. Parking facilities and spaces of tax-exempt institutions such as hospitals and Massport would also be subject to the parking excise. The second tax in the financial plan would impose a condominium conversion and parcel consolidation excise of \$500 for each unit in excess of one unit in the condominium and \$500 for each lot in excess of two lots in the subdivision. This would be a permanent tax which is expected to produce between \$500,000 and \$1 million a year.

Local Taxes Available To Other Cities

More than any other city in the country, Boston overrelies on the property tax and underutilizes other local tax sources. This point is made strikingly clear when Boston's own-source revenue is compared with the local revenues of 20 similar cities. Census Bureau data on city government finances for 1979-1980, the most recent year available, shows that Boston relied on the property tax for \$772 per capita or 78% of total own-source revenue. In contrast the 20 comparable cities relied on the property tax for an average of \$128 per capita or 31% of total local revenues. Thus the property tax burden in Boston was five times the average of the 20-city sample. The cities of Newark, Indianapolis, Minneapolis, Buffalo and Milwaukee relied on the property tax for between 50% and 61% of their total local revenue. In contrast the cities of Phoenix, San Diego, Denver, New Orleans, Kansas City, St. Louis, Cleveland, Toledo and Seattle depended on the property tax for only 20% or less of their total local revenue.

<u>Own Source Revenue</u>	<u>Boston Per Capita</u>	<u>% of Own Source</u>	<u>20-City Avg. Ex. Boston Per Capita</u>	<u>% of Own Source</u>
Property Taxes	\$772.20	77.9%	\$127.60	30.6%
Gen. & Sel. Sales Tax	-0-	--	72.90	17.5
Income Tax	-0-	--	34.40	8.2
Other Tax	9.10	0.9	25.80	6.2
Fees and Mis. Chg.	209.90	21.2	156.30	37.5
Total	991.20	100.0	417.00	100.0

Source: City Government Finances in 1979-80, Bureau of the Census

Utilization of other local tax sources not available to Boston allowed the other 20 cities to rely less on the property tax. General and selective sales taxes, the Census Bureau category which includes taxes such as the parking excise and condominium conversion excise in the Boston Financial Plan, were available in some form to each of the 20 cities in the sample. On average the 20 cities relied on some type of tax in this category for \$72.90 per resident or 17.5% of total local revenue. Denver generated the most revenue from this source--\$205 per resident or 30% of total local revenue. Phoenix raised 39% of its total local revenue from this type of tax source. Other cities utilizing taxes in this category for a significant share of their total local revenue include San Diego (31%), New Orleans (33%), Kansas City (30%), and St. Louis (33%). Boston receives no funds from this revenue source. The proposed parking excise and condominium conversion excise for Boston would generate about \$20 per resident and represent about 7% of the city's own-source revenue.

The Census Bureau data shows that on a percentage basis Boston relied less on fees and miscellaneous charges for local revenue than the 20 cities. However, over the last year the City has increased its traditional fees and charges, established new ones and has more aggressively collected these revenues. That effort should bring Boston more in line with the 20 cities. In December, 1980, the Bureau issued a Special Report recommending such increases in the City's fees and charges.

The income tax is used as a local revenue source by only six of the 20 cities in the sample. Those cities and the amounts raised are Cleveland (\$158 per capita), Toledo (\$136), St. Louis (\$127), Kansas City (\$120), Baltimore (\$92) and Pittsburg (\$56).

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